CO/CMD-RECV/AM/2009-10/ 2047 **31st July 2009.**

ALL ZONAL OFFICES

Reg: OTS Scheme for Micro & Small Enterprises for accounts with outstanding up to Rs. Ten Crore.

In terms of RBI instructions to Banks vide their Circular No. RBI/2008-09/467 – RPCD SME & NFS. BC No. 102/06.04.01/2008-09 dated 04.05.2009 to put in place a suitable OTS policy for Micro and Small Enterprises a scheme has been formulated based on the guidelines of RBI Circulars dated 03.09.05 and got approved by our Board in its meeting held on 27.07.2009. The One Time Settlement (OTS) Scheme for Micro & Small Enterprises (MSE) is applicable to accounts with outstanding up to Rs. Ten Crore. Details of the approved Scheme is as under:

(1) OBJECTIVE:

To provide for a simplified, non-discriminatory and non-discretionary mechanism to adjust the outstanding of NPA accounts of MSE sector.

(2) COVERAGE:

- The revised guidelines will cover all NPAs in MSE sector, which have become doubtful or loss asset as on March 31, 2007 with outstanding balance of Rs. Ten Crore and below on the date on which the account was classified as doubtful asset.

- The guidelines will also cover NPAs classified as sub-standard as on 31st March 2007, which have subsequently become doubtful or loss where the outstanding balance was Rs. Ten Crore and below on the date on which the account was classified as doubtful.

- The guidelines will cover cases on which the banks have initiated action under the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 and also cases pending before Courts/DRTs/BIFR subject to consent decree being obtained from the Courts/DRTs/BIFR.

- The guidelines will also cover the accounts which are already approved under compromise but the full amount has not been paid or allowed to pay in installments after 31.05.2009.

- The guidelines **will not**, however, **cover cases of Wilful Default, fraud and mal-feasance.**

- The last date for receipt of applications from the borrowers will be at the close of business on September 30th, 2009. The processing under the revised guidelines shall be completed by December 30th, 2009.

(3) Settlement Formula – Amount:

- **NPAs classified as Doubtful or Loss as on March 31st, 2007.**

  The minimum amount that shall be recovered under the revised guidelines in respect of one-time settlement of NPAs classified as doubtful or loss as on March 31st, 2007 will be 100% of the outstanding balance in the account as on the date on which the account was categorized as doubtful NPAs.

- **NPAs classified as sub-standard as on March 31st, 2007 which became doubtful or loss subsequently.**

  The minimum amount that shall be recovered in respect of NPAs classified as sub-standard as on March 31st, 2007 which became doubtful or loss subsequently would be 100% of the outstanding balance in the account as on the date on which the account was categorized as NPAs, plus interest at existing applicable interest rate for the category of account or Prime Lending Rate whichever is lower from April 1, 2007 till date of final payment.

(4) Payment

The amount of settlement arrived at in both the above cases, shall preferably be paid in one lump sum. In cases where the borrowers are unable to pay the entire amount in one lump sum, at least 25% of the amount of settlement shall be paid upfront and the balance amount of 75% should be recovered in installments within a period of one year together with interest at the existing Prime Lending Rate from the date of settlement up to the date of final payment.

(5) Sanctioning Authority

The decision on the one-time settlement and consequent sanction of waiver or remission or write-off shall be taken by the competent authority under the delegated powers. A monthly and quarterly report to be submitted by the sanctioning authority indicating name, date of NPA, date of doubtful, sacrifices made, amount settled etc. to the next higher authority and Central Office.

(6) <u>Non-discretionary treatment</u>

The above guidelines for one-time settlement of all NPAs covered under the scheme, without discrimination.

Any deviation from the above settlement guidelines shall be made only by the Board of Directors.

In case terms of any of our approved OTS scheme are beneficial to the borrowers, the proposal may be considered under the scheme

You are advised to note the contents of the abovementioned policy approved by the Board, bring the policy to the knowledge of all concerned and for its strict compliance.

(B.M.NANDWANA)
DY.GENERAL MANAGER(RECV)